

Members

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Sen. Ryan Mishler
Sen. Beverly Gard
Sen. Ed Charbonneau
Sen. Dennis Kruse
Sen. Sue Landske
Sen. James Merritt
Sen. Sue Errington
Sen. Jean Breaux
Sen. Earline Rogers
Sen. Karen Tallian
Rep. David Crooks, Co-Chairperson
Rep. Kreg Battles
Rep. Sandra Blanton
Rep. Chester Dobis
Rep. Ryan Dvorak
Rep. Paul Robertson
Rep. Dan Stevenson
Rep. Jack Lutz
Rep. Robert Behning
Rep. David Frizzell
Rep. Timothy Neese
Rep. Ed Soliday



REGULATORY FLEXIBILITY COMMITTEE

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MEETING MINUTES¹

Meeting Date: September 25, 2008
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., House Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Brandt Hershman, Co-Chairperson; Sen. Ryan Mishler; Sen. Beverly Gard; Sen. Ed Charbonneau; Sen. Dennis Kruse; Sen. James Merritt; Sen. Sue Errington; Sen. Earline Rogers; Sen. Karen Tallian; Rep. David Crooks, Co-Chairperson; Rep. Kreg Battles; Rep. Ryan Dvorak; Rep. Dan Stevenson; Rep. Jack Lutz; Rep. Robert Behning; Rep. Ed Soliday.

Members Absent: Sen. Sue Landske; Sen. Jean Breaux; Rep. Sandra Blanton; Rep. Chester Dobis; Rep. Paul Robertson; Rep. David Frizzell; Rep. Timothy Neese.

I. Call to Order

Senator Hershman called the meeting to order at 10:05 a.m.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

II. Indiana Utility Regulatory Commission

David Lott Hardy, chairman of the Indiana Utility Regulatory Commission (IURC), presented the IURC's annual report to the Indiana General Assembly, including the results of a confidential survey of approximately 200 of Indiana's utility providers and the IURC's response. See Exhibit A.

Chairman Hardy noted that Indiana has the fourteenth lowest electricity rates in the country and ranks sixth in per capita energy use. Indiana will need additional baseload capacity in the near future. Chairman Hardy stated that the IURC anticipates higher energy costs in Indiana due to Indiana's reliance on coal (which supplies over 90% of Indiana's electricity) and the expected increased federal regulation of carbon dioxide emissions.

Representative Crooks asked Chairman Hardy about the energy efficiency measures the IURC is considering to reduce Indiana's energy consumption. Chairman Hardy described the process as collaborative, involving the utilities, the IURC, and the Office of Utility Consumer Counselor, and ranging from the adoption of new building standards to the use of consumer rebates to encourage the purchase of energy efficient appliances.

Senator Tallian asked Chairman Hardy about the IURC's net metering regulations. He described the IURC's net metering docket and explained that only residential customers and K-12 schools may currently feed into the grid. Senator Tallian inquired about the possibility of including industrial customers and municipal utilities. Chairman Hardy said the IURC has not received requests from those entities to participate.

Senator Hershman asked about the IURC's experience to date with video service franchises and public, educational, and government (PEG) channels. Chairman Hardy said that no complaints have been filed and reminded the committee that the IURC has no enforcement authority with respect to video service providers.

III. Paul Mitchell, Policy Director, Office of the Governor

Mr. Mitchell presented the committee with an overview of the recent Indiana Carbon Capture and Storage (CCS, also known as Carbon Capture and Sequestration) Summit. See Exhibit B. Presentations at the summit addressed CCS technology and the legal and regulatory framework for CCS. According to Mr. Mitchell, Indiana's geological formations provide an ideal environment for CCS.

Representative Crooks inquired about the potential use of biomass in Indiana. Mr. Mitchell said there is a huge opportunity in Indiana to develop biomass, as well as solar energy, as viable energy sources. In response to Representative Dvorak's questions about economic development opportunities for CCS, Mr. Mitchell again noted the uncertainty created by the absence of federal carbon dioxide regulations.

IV. Doug Gotham, State Utility Forecasting Group (SUG), Purdue University

Mr. Gotham presented three reports to the committee: (1) Indiana Electricity Projections: The 2007 Forecast. (2) The Projected Impacts of Carbon Dioxide Emissions Reduction Legislation on Electricity Prices in Indiana. (3) 2008 Indiana Renewable Energy Resources Study. See Exhibits C, D, E, and F.

The largest single energy source in the United States is petroleum. Renewable energy sources comprise 6.7% of total United States energy consumption and approximately 1.5% of Indiana's total energy consumption. According to Mr. Gotham, the greatest single

barrier to renewable technologies is cost, but some technologies such as solar and wind also have limited or intermittent resources. Mr. Gotham showed the committee the status of various wind projects in development in Indiana. Mr. Gotham informed the committee of incentives available at the federal and state levels, as well as through utilities, to encourage the use of renewable energy sources.

The SUFG predicts significant increases in electricity prices through 2012, with industrial electricity consumption growing faster than previously projected. The SUFG predicts an increasing gap between available and required resources for energy generation, assuming a 15% reserve margin.

The SUFG's projections of the price impacts of carbon dioxide legislation on Indiana's electric utilities are based on the proposed Lieberman-Warner Climate Security Act. Mr. Gotham explained the basic components of the Lieberman-Warner Act, which focuses on a "cap and trade" reduction of six greenhouse gases. The SUFG predicts an increase in Indiana real electricity prices due to the proposed federal limitations on carbon dioxide emissions.

V. Brent Legg, Director of State & Local Initiatives, Connected Nation

Connected Nation, Inc., is a 501(c)(3) organization that creates public-private partnerships to increase the availability and adoption rates of broadband technologies. See Exhibit G. Mr. Legg provided the committee with detailed information about Connection Nation's initiatives in Kentucky, Ohio, and Tennessee, as well as its predicted economic impact for Indiana based on its results in Kentucky. See Exhibit H.

The five components of the Connected Nation model are: (1) street level broadband infrastructure mapping; (2) market intelligence through survey research; (3) provider and local government consulting services; (4) grassroots demand creation and planning; and (5) No Child Left Offline (providing computers for underprivileged households).

VI. Other Business and Adjournment

Senator Hershman reminded the committee and guests that the committee would address the topic of tree trimming at the October 9 meeting and requested that witnesses submit written testimony to the committee in case time runs short. Senator Hershman adjourned the meeting at 2:37 p.m.